

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

July 25, 2005

'05 JUL 25 PM 4 05

IN RE. Petition of King's Chapel Capacity,)
LLC for Certificate of Convenience and)
Necessity to Serve an Area in Williamson,)
County, Tennessee Known as Ashby Community)

TN REGULATORY AUTHORITY
Docket No. 04-0033500H

NOTICE OF SETTLEMENT AND WITHDRAWAL OF OBJECTIONS

Tennessee Wastewater Systems, Inc. ("TWS") has reached a settlement with King's Chapel Capacity ("King's Chapel") regarding, among other things, the above-captioned docket. A copy of the settlement agreement is attached.

Pursuant to that Agreement, TWS withdraws any objection or opposition to the certificate application filed by King's Chapel for the establishment of a wastewater treatment facility as described in the application (see Petition, Exhibit 2), or as such application may be amended, provided such amendment does not involve a revision or change of the geographic area and number of customers to be served¹

Consistent with the settlement, TWS is also filing, under separate cover, a request to amend its service area, as set forth in Docket 97-01393 (March 31, 1998) to eliminate duplication with the service area requested by King's Chapel.

Respectfully submitted,
BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: _____

Henry Walker
1600 Division Street, Suite 700
P.O. Box 340025
Nashville, Tennessee 37203
(615) 252-2363

¹ TWS remains a party to the docket for purposes consistent with the Agreement

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being forwarded via U.S. mail and/or electronic transmittal, to:

Charles B. Welch, Jr.
Farris, Mathews, Branan, Bobango, Hellen & Dunlap, PLC
Historic Castner-Knott Bldg., Suite 300
618 Church Street
Nashville, TN 37219

Richard Militana
Militana & Militana
5845 Old Highway 96
Franklin, TN 37064

on this the 25 day of July 2005.



Henry Walker

SETTLEMENT AND MUTUAL RELEASE AGREEMENT

THIS SETTLEMENT AND MUTUAL RELEASE AGREEMENT ("Settlement Agreement") is entered into by and between J. POWELL DEVELOPMENT, LLC, (a non existent entity) JOHN POWELL, ELAINE POWELL, C. WRIGHT PINSON, ASHBY COMMUNITIES, LLC, HANG ROCK, LLC, ARRINGTON MEADOWS, LLC, and KINGS CHAPEL CAPACITY , LLC ("KCC"), on behalf of themselves, their agents, officers, employees and directors, hereinafter cumulatively referred to as Parties of the First Part and TENNESSEE WASTEWATER SYSTEMS, INC. f/k/a ON-SITE SYSTEMS, INC. ("TWS"), ON-SITE CAPACITY DEVELOPMENT COMPANY, PICKNEY BROTHERS, INC., ROBERT PICKNEY and CHARLES PICKNEY, on behalf of themselves, their agents, officers, employees and directors, hereinafter cumulatively referred to as Parties of the Second Part;

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is acknowledged;

THE PARTIES INTEND BY THIS SETTLEMENT AGREEMENT TO COMPROMISE AND SETTLE ALL MATTERS that may exist between them including, without limitation, those pertaining to that certain civil litigation between them pending in Chancery Court in Williamson County, TN Case # 31074, subject to the provisions and conditions herein.

WHEREAS, the parties hereto desire to achieve the following objectives:

- I. The transfer of the State Operating Permit for Kings Chapel from TWS to KCC by the Tennessee Department of Environment and Conservation ("TDEC") if allowed by applicable TDEC rules or KCC securing a State Operating Permit if such transfer is not allowed.
- II. The granting of a Certificate of Need and Necessity ("CCN") by the Tennessee Regulatory Authority ("TRA") to KCC.
- III. Acceptance of the wastewater plant and final Plat Re-Approval by Williamson County for Kings Chapel Development.
- IV. The transfer and acknowledgement that the wastewater treatment plant is owned by Parties of the First Part permitting the Parties of the First Part to service and therefore sell all buildable lots in the subdivision known as Kings Chapel.
- V. Execution by the appropriate Party of the Second Part of the documentation necessary for the transfer of the State Operating Permit ("SOP") for Kings Chapel before TDEC (if such transfer is allowed by TDEC) and removal of the Objection to the CCN for KCC ("Intervention") must be completed upon the reasonable request of the Parties of the First Part at a time and in forms acceptable to Parties of the First Part.
- VI. Ownership by KCC of the Wastewater Treatment Plant and the unconditional licensure of to use any copyrighted or non-copyrighted materials related to the design of the Wastewater Treatment Plant at the site of the Kings Chapel Development.

JP EP CWP
[Signature]

VII. All other provisions and conditions of this Settlement Agreement relating to the Parties obligations herein, over which they have control, must be completed without delay, upon demand and the form reasonably requested by the respective party.

THE PARTIES AGREE, WITHOUT LIMITATION, TO THE FOLLOWING CONDITIONS:

1. The Parties of the Second Part agree Kings Chapel Capacity, LLC (hereinafter referred to as "KCC") is the owner of the wastewater plant subject to the litigation including, without limitation, drip fields, buildings, wastewater transmission lines, valves, hardware, including computer equipment, gauges and other installations in the building and outside the building (all the "Wastewater Treatment Plant"), identified in the above referenced litigation and located on or in Kings Chapel Development.

2. With regard to the condition of the Wastewater Treatment Plant, the Drip Field has been constructed and the Recirculating Sand Filter System has been constructed. Parties of the Second Part represent that the Drip Field and the Recirculating Sand Filtration portion of the Wastewater Treatment Plant has been properly constructed and installed pursuant to the SOP 03032 granted by the Tennessee Department of Environment and Conservation ("TDEC") to the best of the information and belief of the Parties of the Second Part. The effluent transmission line between the above referenced facilities has not been connected across the creek located between them. The building is complete with all hardware installed therein. The software for use in the computer system located therein has not been installed but will be installed within seven days of full execution of this Settlement Agreement. Williamson County requires the additional construction of a retention pond which has not yet been constructed.

No warranty with regards to the above referenced installations is given by Parties of the Second Part. The Parties of the First Part acknowledge that additional construction is necessary to complete the Wastewater Treatment Plant as set forth above. Additionally, installation of collection lines, septic tanks, pumps and other such items has not occurred within the subdivision. Parties of the Second Part are not responsible for any of the remaining construction or cost thereof. Parties of the Second Part acknowledge that no further monies are owed for the Wastewater Treatment Plant by Parties of the First Part. Parties of the Second Part will provide and assign to the Parties of the First Part any manufacturer's warranties on components to the extent they are in the possession of the Parties of the Second Part.

3. Parties of the Second part represent that the electronic boards, panels and software LCD equipment installed, or to be installed onsite for the purpose of monitoring the wastewater system, along with the telemetry required, is proprietary. However such representations are subject to proper evidence thereof. Parties of the Second Part hereby grant to KCC the license to the use of the electronic boards, panels and software and associated and appurtenant installations for use in the operation of the wastewater system that is proprietary and further agree KCC may secure monitoring services from any third party it desires to utilize. Such license shall be unconditional and at no cost to KCC, but is limited to the wastewater treatment site which is the subject of this Settlement Agreement.

[Handwritten signatures]

4. There will be no refund of sums already paid to Parties of the Second Part and Parties of the First Part owe no further sums to Parties of the Second Part.
5. TWS will immediately execute a document, in a form and substance reasonably satisfactory to Parties of the First Part prior to submittal, upon full execution of this Settlement Agreement, transferring the State Operating Permit before TDEC in a form consistent with the requirements of TDEC, and the Parties of the Second Part will fully cooperate in this process, provided Parties of the Second Part will bear no unreasonable cost associated therewith.
6. Upon execution of this Settlement Agreement, TWS shall file a cancellation and/or transfer as appropriate, in a form and substance satisfactory to Parties of the First Part prior to submittal, of that portion of its certificated area which is described in the pending KCC petition for authority and shall withdraw any objection or opposition to the CCN Application before the Tennessee Regulatory Authority filed by KCC for the establishment of the wastewater treatment facility in the area set forth in the Application, or as such application may be amended provided such amendment does involve a revision or change of the geographic area and number of customers to be served.
7. It is understood by the parties hereto, that this Agreement is not conditioned upon the granting of a CCN for Kings Chapel Development in the name of KCC. It is specifically a condition of this Agreement that the Parties of the Second Part including without limitation, their representatives and attorneys will take no action to negatively influence, delay or prevent the granting of such CCN.
8. Parties of the Second Part will withdraw any objections and take no action to negatively influence, delay or prevent Party of the First Part from obtaining all approvals from any government and/or governmental agency including without limitation, Federal, State and County, necessary for Kings Chapel development to sell buildable lots and operate the wastewater plant.
9. All parties release all other parties from the various claims, causes of action, etc., except those necessary to enforce this Settlement Agreement and associated agreements.
10. Parties of the Second Part agree to execute any documents reasonably requested to facilitate the securing of the approvals, permits, licenses and certificates by Parties of the First Part as contemplated above in this Settlement Agreement, provided the execution of any such documents is at no unreasonable cost to Parties of the Second Part and creates no obligation to incur unreasonable cost or expense on the part of the Parties of the Second Part.

THE PARTIES FURTHER AGREE TO RELEASE EACH OTHER, SUBJECT TO THE PROVISIONS AND CONDITIONS HEREIN, on behalf of themselves, their employees, agents, officers and directors to release, cancel, forgive and forever discharge, one unto the other, their agents, members, partners, shareholders, owners, officers, employees and directors from all actions, claims, demands, damages, obligations, liabilities, controversies and executions, of any kind or nature whatsoever, whether known or unknown, whether suspected or not, which have arisen, or may have arisen, or shall arise by reason of the incidents described above pertaining to

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INITIALS ON BEHALF OF ALL PARTIES OF THE FIRST PART
INITIALS ON BEHALF OF ALL PARTIES OF THE SECOND PART

[Handwritten signatures]
SP CWP
[Signature]

civil litigation between them pending in Chancery Court in Williamson County, TN Case # 31074 and each does specifically waive any claim or right to assert any cause of action or alleged cause of action or claim or demand which has, through oversight or error intentionally or unintentionally or through a mutual mistake, been omitted from this Release against the other.

THE PARTIES HERETO AGREE TO REFRAIN from making any disparaging statements to any party concerning the matters addressed in this Settlement Agreement or any negative statements concerning any other party to this Settlement Agreement with relation to the matters addressed herein, (excepting governmental agencies, counsels, tax advisors or other professionals retained by a party hereto).

ANY COMPLAINT OR PROCEEDING brought by a party hereto in any other forum shall be withdrawn by the party bringing such complaint or proceeding, if possible, subject to the faithful performance of the provisions herein by the parties hereto.

PARTIES OF THE SECOND PART agree to use their best efforts to accomplish the objectives and conditions of this Agreement to the benefit of the Parties of the First Part including, without limitation, the execution of any documents reasonably requested to facilitate the conditions and objectives of the is Settlement Agreement, provided the execution of any such documents is at no unreasonable cost to Parties of the Second Part and creates no obligation to incur unreasonable cost or expense on the part of the Parties of the Second Part.

THE PROVISIONS OF THIS AGREEMENT must be read as a whole, are not severable and/or separately enforceable by either party hereto. It is further understood and agreed that until a formal motion to dismiss the above referenced case, with prejudice, is duly executed, filed and accepted by the Court, no party hereto waives any rights under the aforementioned litigation and upon the failure of any condition or default herein may proceed with such litigation as if this Settlement Agreement did not exist.

The term "unreasonable expense" or "unreasonable cost" as contemplated herein is not meant to reflect the party incurring normal minimal expense of overhead such as local travel, food, normal overhead, copy or telephone expense, courier expense, etc. shall not be deemed to have incurred "unreasonable expense". Transfer fees, permits or such expenses charged by any governmental entity for transfer or to otherwise secure the objectives of this Settlement Agreement shall be borne by Parties of the First Part.

No admission or concession is made by either party regarding the legitimacy and/or existence of copyrighted material described herein and each party reserves all rights incident thereto.

ALL PARTIES HERETO FURTHER AGREE AND ACKNOWLEDGE that each accepts the considerations and conditions herein and, subject to the above described dismissal and conditions and will be accepted by both as a full, complete, final and binding compromise of all disputed issues only upon realization of the conditions and objectives cited herein. The receipt of considerations herein shall not be considered admissions by any of the Parties hereto of any liability or wrongdoing: that, in fact, such liability and/or wrongdoing are expressly denied by

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INITIALS ON BEHALF OF ALL PARTIES OF THE FIRST PART
INITIALS ON BEHALF OF ALL PARTIES OF THE SECOND PART

SP CWP
MC

each of the Parties hereto; and that no past or present wrongdoing on the part of any Party shall be implied by the giving of the considerations or the execution of this Agreement. All parties further agree that this Agreement rather reflects an effort to reconcile honest differences between all concerned.

THIS SETTLEMENT AGREEMENT CONTAINS THE ENTIRE AGREEMENT between the Parties with regard to the matters set forth herein. There are no other understandings or agreements, verbal or otherwise, in relation thereto between the Parties except as herein expressly set forth.

IN ENTERING INTO THIS SETTLEMENT AGREEMENT, each of the Parties represents to the others that they have read completely all terms hereof and that such terms are fully understood and voluntarily accepted. Each of the Parties further acknowledges and represents that they have been adequately represented by counsel of their own choosing or that they have had the opportunity to obtain such counsel in connection with the negotiation and execution of this Settlement Agreement.

THE PARTIES agree to execute any documentation or perform any act that may be required and/or reasonably requested by the other party to implement the provisions and/or objectives of this Settlement Agreement.

If any party shall default in its obligations herein, the non-defaulting party may recover all costs and expenses incident thereto including, without limitation, reasonable attorney fees.

THE PARTIES FURTHER AGREE that, to the extent permitted by controlling law, the Chancery Court, Williamson County, Tennessee shall have exclusive jurisdiction to resolve any disputes or claims, which may arise under this Settlement Agreement. The Parties further agree that the substantive law of Tennessee shall be applied to and govern all such disputes and claims.

THE PARTIES BY THEIR SIGNATURES BELOW WARRANT that they have the authority to execute this Agreement on behalf of all parties represented above for the respective Parties of the First and Second Part and that a facsimile signature, whether or not followed by an original, shall be binding upon that party and deemed an original for all purposes.

This Settlement Agreement may be signed in counterpart all of which shall form a single agreement.

THE PARTIES AGREE that this Agreement shall not be binding or valid unless duly executed by all parties and further that the rights inuring to one or more of the Parties of the First Part are not name or entity specific but apply to all Parties of the First Part and/or assigns.


WHEREFORE THE PARTIES ENTER THEIR SIGNATURE AND SEAL on the date reflected by their signatures.

PARTIES OF THE FIRST PART

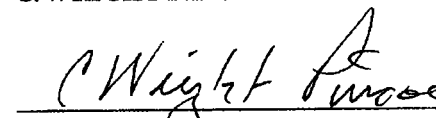
7-25-05
Date

JOHN POWELL
 (Seal)

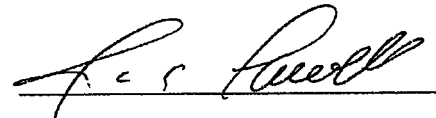
7-25-05
Date

ELAINE POWELL
 (Seal)

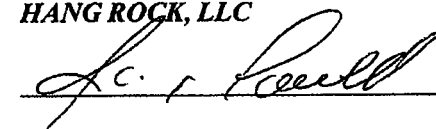
7-25-05
Date

C. WRIGHT PINSON
 (Seal)

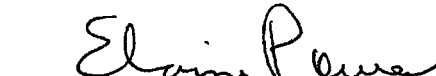
7-25-05
Date

ASHBY COMMUNITIES, LLC
 (Seal)

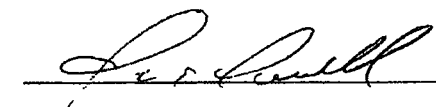
7-25-05
Date

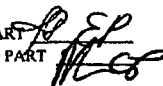
HANG ROCK, LLC
 (Seal)

7-25-05
Date

ARRINGTON MEADOWS, LLC
 (Seal)

7-25-05
Date

KINGS CHAPEL CAPACITY, LLC ("KCC")
 (Seal)



J. POWELL DEVELOPMENT, LLC

7-25-05
Date

(a non-existent entity therefore no signature) (Seal)

PARTIES OF THE SECOND PART

TENNESSEE WASTEWATER SYSTEMS, INC.

7-25-04
Date

 (Seal)

ON-SITE CAPACITY DEVELOPMENT COMPANY

7-25-05
Date

 (Seal)

PICKNEY BROTHERS, INC.

7-25-05
Date

 (Seal)


ROBERT PICKNEY

7-25-05
Date

 (Seal)

CHARLES PICKNEY

7-25-05
Date

 (Seal)

Tennessee Wastewater Systems, Inc.
7638 River Road Pike
Nashville, TN 37209-5733

Kings Chapel Capacity, LLC
1413 Plymouth Drive
Brentwood, TN 37027

July 22nd 2005

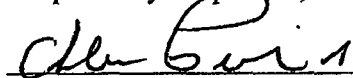
Mr. Edward M. Polk
Manager, Permit Section
Division of Water Pollution Control
State of Tennessee
Department of Environment And Conservation
401 Church Street, L&C Annex, 6th Floor
Nashville, TN 37243-1534
VIA Hand Delivered

Dear Mr. Polk,

By this letter, Tennessee Wastewater Systems, Inc. hereby requests that the Department transfer SOP # - 03032 to Kings Chapel Capacity, LLC effective this date.

Tennessee Wastewater Systems Inc. acknowledges that Kings Chapel Capacity, LLC is the owner of the wastewater plant including, without limitation, the drip fields, buildings, wastewater transmission lines, valves, hardware, including computer equipment, gauges and other installations in the building and outside the building (all the "Wastewater Treatment Plant") as further defined by the issuance of SOP # 03032

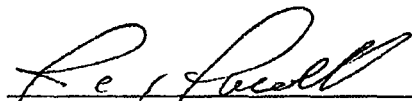
Respectfully Requested,



Charles Pickney, Jr. – President, Tennessee Wastewater Services, Inc.

By This letter, Kings Chapel Capacity, LLC. hereby accepts the transfer of SOP# 03032 from Tennessee Wastewater Systems, Inc. on this date.

Respectfully Requested,



John Powell, Managing Member, Kings Chapel Capacity, LLC

RECEIVED

JUL 25 2005

Permit Section